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**April 13, 2005**

**BULLETIN NO. 2005-03**

**TO: ALL HOLDERS AND SERVICERS**

**SUBJ: PROPERTY INSPECTIONS AND PRESERVATION**

**Purpose**

This bulletin restates the minimum requirements for inspecting and preserving vacant properties and the maximum amounts that will be reimbursed by this Regional Loan Center (RLC) for the protection of properties which are the security for Department of Veterans Affairs (VA) guaranteed loans in **Arkansas, Louisiana, Oklahoma and Texas**. It is not our intent to regulate the amounts that holders pay to protect and preserve properties or to decide what measures the holder needs to take to protect a property.

**Effective Date**

This bulletin is effective for all VA loan foreclosures on or after May 1, 2005.

**Holder's Responsibility**

It is the holder's responsibility to protect and preserve properties when they become vacant and abandoned. **HOLDERS ARE TO ENSURE COMPLIANCE WITH ALL CITY, COUNTY OR OTHER ORDINANCES IN ACCORDANCE WITH THE TERMS OF THE MORTGAGE LOAN AGREEMENT.** A holder may advance any reasonable amount necessary and proper for the maintenance or repair of the security and such advance may be added to the guaranteed indebtedness. Most security instruments have a provision which permits the holder to protect the property securing the loan. The removal of hazardous materials, the correction of hazardous conditions, and the avoidance of liens are primary concerns. Failure to protect and preserve the security can result in additional losses to the holder. A decrease in value can cause VA not to specify an amount for credit to the indebtedness in the event of foreclosure (no bid). If the holder's failure to protect and preserve the property increases VA's liability, the holder's claim payment will be adjusted (reduced).

Holders are required to report damage as a result of fire, flood, windstorm, tornado, or hurricane to VA promptly. Holders are responsible for taking prompt and appropriate action to prevent additional damage to the property from other conditions such as mold. Under Title 38 CFR 36.4320, holders bear responsibility for any loss due to damage or destruction of the property or personal injury sustained in respect to such property from the date of acquisition by the holder to the date such risk is assumed by VA. VA assumes risk of loss from the date of receipt of the holder's notice of election to convey (VA Form 26-8903).

Holders must file hazard insurance claims and obtain a settlement for covered losses. Failure to do so may result in a claim adjustment. In accordance with 38 CFR 36.4326, insurance loss proceeds must be applied to reduce the principal balance if not used to restore the property.

### **Prior Approval**

Prior approval by VA is not required and will not be given. If an item is not covered by this bulletin or there are unusual circumstances that support additional expenses, you may submit complete information to justify the additional expense with the Claim Under Loan Guaranty and request reimbursement at that time. It is the holder's responsibility to protect and preserve the security for the loan. The decision as to what action to take to preserve and protect the property is the holder's, and it is independent of the amount of the costs that VA will reimburse.

### **Abandoned Property**

38 CFR 36.4346(i)(2) requires that in cases where the loan is more than 30 days delinquent and the property is abandoned, the holder must take appropriate action to protect the property from vandalism and the elements. Within 15 days after confirming abandonment, the holder must report the abandonment to the Secretary and immediately initiate appropriate action to terminate the loan (38 CFR 36.4317(a)).

### **Reimbursement**

Holders will be reimbursed via the Claim Under Loan Guaranty for property inspections and preservation costs incurred before the interest cutoff date and before custody of a property is delivered to VA up to the limits specified below when the prescribed guidelines are followed. Evidence of payment must be submitted with the Claim Under Loan Guaranty, must describe the service provided and the materials used, and specify the date the service was performed. Pictures are not required by this RLC, and holders will not be reimbursed for pictures. You may find the summary in Attachment A helpful.

### **Property Inspections**

As required by 38 CFR 36.4346(i), the holder shall make an inspection of the property securing the loan:

- whenever the holder becomes aware that the physical condition of the property may be in jeopardy;
- at least once each month when a property is abandoned to prevent unnecessary deterioration due to vandalism or neglect;
- before the 60<sup>th</sup> day of delinquency or before initiating action to liquidate a loan, whichever is earlier (unless a repayment agreement is in effect); and
- at least once each month after liquidation proceedings have been started unless servicing information shows the property remains owner-occupied.

To obtain reimbursement, submit a copy of each inspection report and evidence of payment with the Claim Under Loan Guaranty, VA Form 26-1874. VA reimburses the following amounts:

- A maximum of \$25 will be reimbursed for the initial property inspection.
- A maximum of \$15 will be reimbursed for each subsequent inspection.

### **Debris Removal**

Remove all exterior debris. Remove interior debris only when the debris constitutes a health or safety hazard. Contact local health and/or environmental agencies for guidance and notify VA of the hazard.

Holders will be reimbursed up to \$75.00 for the removal of refrigerators containing food items.

Debris that requires removal will be reimbursed at the rate of \$25.00 per cubic yard not to exceed \$300.00. An average pickup truck with a 5' x 8' bed that is 30" high has a capacity of approximately 3 ½ cubic yards when it is completely filled. The receipt must include the date, address of the property, type of debris removed, and the number of cubic yards. The actual cost of the dump fee will be reimbursed if it is documented by an original receipt with the name and telephone number of the dump site.

### **Windows And Doors**

Board windows only when the glass has been broken out. When a door is glass or the jamb is damaged or missing, board the opening. Openings in detached garages and storage sheds do not need to be covered. Boarding must be accomplished in the following manner and with the following materials.

- Cover openings using 5/8" exterior C/D grade plywood. Openings are to be covered with a single piece of plywood where possible.
- All existing window and sliding door screens are to be removed and stored in an interior closet for later re-installation.
- In the case of a hollow-core half-glass door, do not nail into the door. Open the door completely or take it off its hinges, cut plywood to fit snugly in the jamb, and use the 2x4 and bolt method to cover the opening.
- On movable frame applications, plywood is to be held in place by positioning a 2x4 brace extending past the width of the windows on interior and "sandwiching" the window between plywood and brace using two round headed 3/8" carriage bolts with head and flat washer outside and pulled tightly to frame with nut and flat washer on inside of 2x4 brace.
- Plywood to be cut to fit snugly inside the outer flange on aluminum frames and inside the outer frame of other windows.
- Boards must be cut a minimum of four inches but not more than six inches from the top of the window to allow natural light into the property.
- If the window slides from side to side, do not leave air space at top - leave small space on side that does not slide. On fixed pane and crank-out window applications, nail plywood onto wood around openings. Where fixed panes or crank-out windows are not surrounded by wood, use the 2x4 and bolt method to cover opening.

A maximum of \$35 per opening will be reimbursed without recovery of material. Evidence of payment must specify the number of openings boarded. A typical window is one opening. Two single windows mounted adjacent to each other are two openings. A typical glass patio door is two openings. A one car garage is considered two openings, and a two car garage is considered four openings.

### **Locks**

Do not install new locks on exterior doors unless entry will be required by the holder prior to transfer of the property to VA; e.g., to allow entry for appraiser or insurance adjuster, or to perform winterization. If entry will not be required, doors that cannot be secured should be boarded. The holder must certify that entry to the property was required necessitating installation of a new lock. A maximum of \$45 will be reimbursed.

### **Leaking Roof**

Arrangements should be made immediately to protect the security. The preferred method is to patch the roof. Holders will be reimbursed up to \$300 for labor and materials to patch the roof. If it is determined that the roof cannot be patched economically, cover the roof with 4 mil poly, and use 1 x 2's

for nailers. Holders will be reimbursed \$10.00 a square (100 square feet) for labor and materials to cover the roof.

### **Winterizing**

Winterizing can include disconnecting the water service, draining the pipes, water heater, and well pump if the property is serviced by an individual water system, and installing non-toxic antifreeze or similar material in toilet bowls and traps to prevent damage caused by freezing. Holders are expected to use good judgment to determine when winterizing is necessary. A maximum of \$55 will be reimbursed.

### **Lawns**

Mow lawns as needed when the property is vacant. During the growing season, mowing may be needed as often as twice a month. Holders will use good judgment to determine when mowing is needed and insure that a final grass cut is completed no earlier than the week prior to the foreclosure sale date or hearing date if confirmation of the sale is required. A maximum of \$75 for all mowing each month will be reimbursed.

### **Pools**

**HOLDERS ARE TO ENSURE COMPLIANCE WITH ALL CITY, COUNTY OR OTHER ORDINANCES PERTAINING TO SWIMMING POOLS.**

- Secure in-ground swimming pools, but do not drain them. All materials and all workmanship will be of good quality. A maximum of \$750 will be reimbursed which includes any fence repair/replacement (see next paragraph). Securing must be accomplished in the following manner with the prescribed materials.
  1. Pool covers must be constructed using 2x4's two feet on center as joists. These joists will not have splices in any area, but will be one piece of sufficient length to span the pool, plus a nominal one foot overhang on both sides of the pool. The only exception is if the pool exceeds 16 feet in width. In these cases only, joists will be four foot double spliced in a proper manner to protect the strength of the joists. Stiff legs should be applied when support is needed to walk on the pool covering.
  2. Covering material will be one-half inch CDX plywood (waferboard is not an acceptable substitute) applied crosswise of the joists in such a manner that joints do not occur on the same joist more often than absolutely necessary and will provide full coverage of the frame for the cover. All plywood should be nailed with galvanized nails on four inch outside and a ten inch inside pattern.
- Above-ground swimming pools must be drained, disassembled and removed from the property. A maximum of \$100 will be reimbursed.
- Portable hot tubs and spas must be drained. A maximum of \$75 will be reimbursed.

### **Fences Surrounding Pools**

Fences surrounding pools are to be repaired/replaced with new material of like size and quality. Do not try to cut corners on expenses by using an inferior material or not repairing pickets properly. The maximum allowable for covering the pool (see previous paragraph) includes repairing/replacing the fence.

**ALL GATES SURROUNDING POOLS MUST BE SECURED!** Install a new hasp and padlock at the top of the main gate and permanently secure all others. Give a key to your lawn maintenance crew. A maximum of \$30 will be reimbursed for the hasp and padlock.

**Questions And Comments**

E-mail questions and comments concerning this bulletin to [helen.galer@vba.va.gov](mailto:helen.galer@vba.va.gov).

**Rescission**

This bulletin rescinds RLC Bulletin 2004-03 dated March 5, 2004, on the same subject.

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R. BIAGIOLI  
Loan Guaranty Officer

See Attachment

## ATTACHMENT A

### SUMMARY OF PROPERTY PRESERVATION EXPENSES ARKANSAS, LOUISIANA, OKLAHOMA AND TEXAS

Property Inspections	Maximum of \$25 for initial inspections Maximum of \$15 for subsequent inspections
Debris Removal	\$25 a cubic yard - maximum \$300
Dump Fee	Actual Cost
Refrigerator Removal	Maximum of \$75
Windows/Doors	Maximum of \$35 per opening
Locks - Door	Maximum of \$45
Locks - Gate	Maximum of \$30
Patch Roof	Maximum of \$300 for labor and materials
Cover Roof	\$10 a square (100 square feet) for labor and materials
Winterizing	Maximum of \$55 when weather requires
Lawns	Maximum of \$75 a month during growing season
In Ground Pools	Maximum of \$750 to include any fence replacement/repair
Above Ground Pools	Maximum of \$100
Portable Hot Tubs And Spas	Maximum of \$75